

South Central Iowa Landfill Agency

**Financial Statements and Required Supplementary Information
(With Independent Auditor's Reports Thereon)
June 30, 2013 and 2012**



Shull
and Co. P.C.
certified public accountants

SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
	Before January 2013	
Mark Nitchals	Chairperson	City of Winterset
Bob Weeks	Vice Chairperson	Madison County
Pete Berry	Board member	City of Indianola
Jim Bussanmas	Board member	City of Bevington
Jean Furler	Board member	City of Indianola
	After January 2013	
Mark Nitchals	Chairperson	City of Winterset
Aaron Price	Vice Chairperson	Madison County
Pete Berry	Board member	City of Indianola
Jim Bussanmas	Board member	City of Bevington
Jean Furler	Board member	City of Indianola



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Central Iowa Landfill Agency

Report on the Financial Statements

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Generally accepted accounting principles of the United States of America require Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2013 on our consideration of the South Central Iowa Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering of the South Central Iowa Landfill Agency's internal control over financial reporting and compliance.

Shull & Co., P.C.

December 19, 2013

SOUTH CENTRAL IOWA LANDFILL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

South Central Iowa Landfill Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 4%, or \$39,456 from fiscal 2012 to fiscal 2013.
- The Agency's operating expenses were 5%, or \$44,213, less in fiscal 2013 than in fiscal 2012.
- The Agency's net position increased \$7,286 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The South Central Iowa Landfill Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to South Central Iowa Landfill Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal 2013 totaled \$3,081,937. This compares to \$2,786,617 at the end of fiscal 2012. A summary of the Agency's net position is presented below.

	Net Position	
	2013	2012
Current Assets	\$ 261,290	481,213
Restricted investments	2,654,787	2,315,826
Capital assets at cost, less accumulated depreciation	1,617,893	1,526,603
Total Assets	\$4,533,970	4,323,642
Current Liabilities	\$ 43,033	37,025
Noncurrent Liabilities	1,409,000	1,500,000
Total Liabilities	\$1,452,033	1,537,025
Net Position:		
Net Investment in capital assets	\$1,617,893	1,526,603
Restricted	1,245,787	815,826
Unrestricted	218,257	444,188
Total Net Position	\$3,081,937	2,786,617

The unrestricted portion of net position (7%) may be used to meet the Agency's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset (40%) are resources allocated to capital assets. \$1,245,787 of the Agency's net position are the restricted for closure and postclosure care. The remaining net position is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and member per capita assessments. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and change in net position for the years ended June 30, 2013 and 2012 is presented below:

	Changes in Net Position	
	2013	2012
Operating Revenues		
Gate fees	\$ 979,846	1,018,861
Member per capita assessments	60,000	60,000
Late charges	428	869
	1,040,274	1,079,730
Operating Expenses		
Personnel	247,089	255,659
Equipment operation and property maintenance	301,583	316,576
Depreciation	176,805	143,461
Engineering	37,641	34,995
Tonnage fees	121,363	128,244
Closure and postclosure care	(91,000)	(42,900)
Office and general	14,902	16,561
	808,383	852,596
Total operating expenses		
	231,891	227,134
Operating income		
Nonoperating Revenues		
Interest income	41,199	55,680
Gain on sale of capital assets	16,250	-
Miscellaneous	5,980	5,220
	295,320	288,034
Increase in net position		
Net position, beginning of year	2,786,617	2,498,583

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position in net position at the end of the fiscal year.

In fiscal 2013, operating revenues increased by \$39,456, or 4%. Operating expenses decreased by \$44,213, or 5%. The decrease in operating expenses was primarily a result of a decrease in accrued closure and postclosure care expense of approximately \$91,000, and an increase of depreciation expense of approximately \$33,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

CAPITAL ASSETS

At June 30, 2013, the Association had approximately \$1,617,893 invested in capital assets, net of accumulated depreciation of approximately \$2,746,238. Depreciation charges totaled \$176,805 for fiscal 2013. More detailed information about the Agency's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

At June 30, 2013, the Agency had \$1,409,000 in debt outstanding, a decrease of \$91,000 from 2012. The table below summarized outstanding debt by type.

	June 30,	
	2013	2012
Closure and postclosure care cost	<u>\$ 1,409,000</u>	<u>\$ 1,500,000</u>

Additional information about the Agency's long-term debt is presented in Note 6 to the financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

ECONOMIC FACTORS

South Central Iowa Landfill Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY
 Statements of Net Position
 June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 124,639	380,748
Accounts receivable	122,708	83,603
Accrued interest receivable	5,599	8,919
Prepaid insurance	<u>8,344</u>	<u>7,943</u>
Total current assets	<u>261,290</u>	<u>481,213</u>
Restricted investments		
Cash and cash equivalents	478,530	280,259
Investments, including certificates of deposit of \$2,176,257 (2012 - \$1,838,299)	<u>2,176,257</u>	<u>2,035,567</u>
	<u>2,654,787</u>	<u>2,315,826</u>
Capital assets		
Land and improvements	534,141	534,141
Buildings and improvements	1,975,609	1,975,014
Equipment	<u>1,854,381</u>	<u>1,792,381</u>
	4,364,131	4,301,536
Less accumulated depreciation	<u>2,746,238</u>	<u>2,774,933</u>
	<u>1,617,893</u>	<u>1,526,603</u>
	<u>\$ 4,533,970</u>	<u>4,323,642</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 40,863	34,993
Accrued wages and benefits payable	<u>2,170</u>	<u>2,032</u>
Total current liabilities	<u>43,033</u>	<u>37,025</u>
Noncurrent Liabilities		
Landfill closure and postclosure care	<u>1,409,000</u>	<u>1,500,000</u>
Total liabilities	<u>1,452,033</u>	<u>1,537,025</u>
NET POSITION		
Net Investment in capital assets	1,617,893	1,526,603
Restricted for		
Closure and postclosure care	1,245,787	815,826
Unrestricted	<u>218,257</u>	<u>444,188</u>
	<u>\$ 3,081,937</u>	<u>2,786,617</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Gate fees	\$ 979,846	1,018,861
Member per capita assessments	60,000	60,000
Late charges	428	869
	1,040,274	1,079,730
Operating Expenses		
Personnel	247,089	255,659
Equipment operation and property maintenance	301,583	316,576
Depreciation	176,805	143,461
Engineering	37,641	34,995
Tonnage fees	121,363	128,244
Closure and postclosure care	(91,000)	(42,900)
Office and general	14,902	16,561
	808,383	852,596
Total operating expenses		
	231,891	227,134
Operating income		
Nonoperating Revenues		
Interest income	41,199	55,680
Gain on sale of capital assets	16,250	-
Miscellaneous	5,980	5,220
	295,320	288,034
Increase in net position		
	2,786,617	2,498,583
Net position, beginning of year		
	\$ 3,081,937	2,786,617
Net position, end of year		

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from customers	\$ 1,001,169	1,074,793
Cash paid to suppliers for goods and services	(470,020)	(509,542)
Cash paid to employees for services	(246,951)	(255,077)
Net cash provided by operating activities	284,198	310,174
Cash flows from capital and related financing activities		
Acquisition of capital assets	(268,095)	(495,402)
Proceeds from sale of capital assets	16,250	-
Net cash used by capital and related financing activities	(251,845)	(495,402)
Cash flows from investing activities		
Purchases of investments	(336,690)	(49,679)
Maturities of investments	196,000	149,000
Interest income received	44,519	58,152
Miscellaneous revenue received	5,980	5,220
Net cash provided (used) by investing activities	(90,191)	162,693
Net decrease in cash and cash equivalents	(57,838)	(22,535)
Cash and cash equivalents, beginning of year	661,007	683,542
Cash and cash equivalents, end of year	\$ 603,169	661,007
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 231,891	227,134
Adjustments		
Depreciation	176,805	143,461
Increase in accounts receivable	(39,105)	(4,937)
(Increase) decrease in prepaid insurance	(401)	181
Increase (decrease) in accounts payable	5,870	(13,347)
Increase in accrued wages and benefits payable	138	582
Decrease in accrued closure and postclosure care expenses	(91,000)	(42,900)
Net cash provided by operating activities	\$ 284,198	310,174

See accompanying notes to financial statements

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- A. Reporting Entity – For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. South Central Iowa Landfill Agency has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position – The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 include certificates of deposit of \$2,176,257.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land and improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Investments (Continued)

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Land and improvements	10 - 50
Buildings and improvements	10 - 40
Equipment and vehicles	5 - 10

2. CASH AND INVESTMENTS

The Agency's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

The Agency had the following investments at June 30, 2013:

	CARRYING AMOUNT	MARKET VALUE
Certificates of Deposit	\$ 2,176,257	2,176,257

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2013 and 2012

3. PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$14,135, \$10,625 and \$10,628, respectively, equal to the required contributions for each year.

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2013 were \$1,560 (2012 - \$1,560).

4. CAPITAL ASSETS

A summary of capital assets at June 30, 2013 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets being depreciated:				
Land and improvements	\$ 534,141	-	-	534,141
Buildings and improvements	1,975,014	595	-	1,975,609
Equipment	<u>1,792,381</u>	<u>267,500</u>	<u>205,500</u>	<u>1,854,381</u>
Total capital assets being depreciated	<u>4,301,536</u>	<u>268,095</u>	<u>205,500</u>	<u>4,364,131</u>
Less accumulated depreciation for:				
Land and improvements	126,600	6,330	-	132,930
Buildings and improvements	1,157,122	63,884	-	1,221,006
Equipment	<u>1,491,211</u>	<u>106,591</u>	<u>205,500</u>	<u>1,392,302</u>
Total accumulated depreciation	<u>2,774,933</u>	<u>176,805</u>	<u>205,500</u>	<u>2,746,238</u>
Total capital assets, net	<u>\$1,526,603</u>	<u>91,290</u>	<u>-</u>	<u>1,617,893</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2013 and 2012

5. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Government Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated at \$1,908,900 for closure and \$1,188,000 for postclosure care for a total of \$3,096,900 as of June 30, 2013 and the portion of the liability that has been recognized is \$1,409,000. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the horizontal expansion is 15 years. The capacity used at June 30, 2013 in the original landfill is 100 percent and the horizontal expansion is approximately 26 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2013, assets of \$2,654,787 are restricted for these purposes, of which \$1,908,900 is for closure and \$745,887 is for postclosure care. They are reported as restricted investments in the Statement of Net Position.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2013 and 2012

5. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Association must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

6. SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using those portions of solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2013, there were no unspent amounts retained by the Agency and restricted for the required purposes.

7. LOCAL GOVERNMENT RISK POOL

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials'

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2013 and 2012

7. LOCAL GOVERNMENT RISK POOL (CONTINUED)

liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures over the period of coverage. The Agency's annual contributions to the Pool for the year ended June 30, 2013 were \$22,646 (2012 - \$22,815).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Notes to Financial Statements - Continued
June 30, 2013 and 2012

7. LOCAL GOVERNMENT RISK POOL (CONTINUED)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SOUTH CENTRAL IOWA LANDFILL AGENCY
 Statements of Operating Expenses
 Years Ended June 30, 2013 and 2012

	2013	2012
Personnel Expenses:		
Salaries and wages	\$ 163,747	173,024
Payroll taxes	12,526	13,171
IPERS	14,155	10,693
Retirement contributions	1,170	1,560
Group insurance	49,918	45,099
Workers' compensation insurance	5,573	12,112
	247,089	255,659
Equipment Operation and Property Maintenance Expenses:		
Fuel expense	79,415	112,563
Repairs and maintenance	81,576	63,067
Rock and road stone	6,699	14,658
Insurance	21,227	22,733
Recyclables expense, net	67,905	58,794
Household hazardous waste fees	44,761	44,761
	301,583	316,576
Depreciation	176,805	143,461
Planning and permits engineering	37,641	34,995
Tonnage fees	121,363	128,244
Closure and postclosure care	(91,000)	(42,900)
Office and General Expenses:		
Utilities	6,293	7,331
Telephone	1,922	1,938
Office supplies	1,125	1,211
Postage	270	180
Advertising and printing	1,567	2,121
Dues, conferences and meetings	150	205
Professional fees	3,575	3,575
	14,902	16,561
	\$ 808,383	852,596

See accompanying independent auditor's report.



Shull and Co. P.C.

certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
South Central Iowa Landfill Agency

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the South Central Iowa Landfill Agency as of and for the year ended June 30, 2013, and the related Notes to the Financial Statements, and have issued our report thereon dated December 19, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Central Iowa Landfill Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Iowa Landfill Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Iowa Landfill Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the South Central Iowa Landfill Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the South Central Iowa Landfill Agency's internal control described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Iowa Landfill Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Central Iowa Landfill Agency's Responses to Findings

The South Central Iowa Landfill Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The South Central Iowa Landfill Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Central Iowa Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Skull & Co., PC.

December 19, 2013

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings
Year ended June 30, 2013

Findings Related to the General Purpose Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Agency's financial statements. We noted that one individual performs all record-keeping and reconciling functions for the Agency.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Agency Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Agency and have no plans to add staff. The Agency Board is aware of the possibility for errors or fraud to occur.

Conclusion - Response accepted.

- (B) Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation - This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response and Corrective Action Planned - We will consider this.

Conclusion - Response accepted.

SOUTH CENTRAL IOWA LANDFILL AGENCY
Schedule of Findings - Continued
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (5) Solid Waste Fees Retainage - No instances of non-compliance with the solid waste fees used or retained in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance - The Association has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative code. The calculation is made as follows:

	Original Landfill	Horizontal Expansion	
		Cells 1 & 2	Cell 3
Total estimated costs for closure and postclosure care	\$ 759,000	1,402,740	935,160
Less: Balance of funds held in the local dedicated fund at June 30, 2012	<u>(759,000)</u>	<u>(934,096)</u>	<u>(622,730)</u>
	\$ -	468,644	312,430
Divided by the number of years remaining in the pay-in period	<u>-</u>	<u>4</u>	<u>9</u>
Required payment into the local dedicated fund for the year ended June 30, 2013	\$ -	117,161	34,714
Balance of funds held in the local dedicated fund at June 30, 2012	759,000	934,096	622,730
Deficiency of funds held in the local dedicated fund at June 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>
Required balance of funds held in the local dedicated fund at June 30, 2013	<u>\$ 759,000</u>	<u>1,051,257</u>	<u>657,444</u>
Amount Association has restricted and reserved for closure and postclosure care at June 30, 2013	<u>\$ 759,000</u>	<u>1,137,472</u>	<u>758,315</u>